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DEPARTMENT FOR EUR/FO AND EUR/CE JAMIE LAMORE. PLEASE PASS
TO NSC JEFF HOVENIER AND KHELGERSON

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SUBJECT: HUNGARY - NEW GOVERNMENT, NEW MINISTERS

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¶1. During remarks to Parliament prior to his election as the new Hungarian Prime Minister (reftel), Gordon Bajnai announced six new Heads of Ministries and two additional minister-level appointments. Short bios of the new ministers follow:

- Minister of Foreign Affairs: Peter Balazs (replacing Kinga Goncez)

A career diplomat and professor, in 2004 Peter Balazs became Hungary's first Member of the European Commission, serving as the Commission Responsible for Regional Policy. He previously served as Hungary's Ambassador to Denmark, Germany, and the EU. Born in Hungary on December 5, 1941, his early career included several foreign trade and international economic relations postings. In recent years he served as professor at Corvinus University, and in 2005 he joined the Central European University as a full time professor and Director of the Center for EU Enlargement Studies. His expertise is in the area of EU enlargement and external relations with the EU. He is fluent in Hungarian, English, French and German.

- Minister of Finance: Peter Oszko (replacing Janos Veres)

Peter Oszko is a tax attorney and certified tax advisor. He joined Deloitte Hungary in January 2004, and became the managing director of the company's tax practice in 2005, specializing in international taxation, mergers and acquisitions consultancy, VAT, and transfer pricing. He has headed the Hungary Deloitte office since 2007, and serves on the board of the American Chamber of Commerce in Hungary. He began his career at KPMG, and was a tax advisor at the Freshfields Bruckhaus Deringer law firm. Oszko helped author last year's "Big Four" tax reform strategy for Hungary, and was also involved in the non-governmental "Reform Alliance" proposal for structural economic reform in Hungary. He is well known to the Embassy, and as Minister of Finance will likely be a no-nonsense, pragmatic cost-cutter. He is fluent in Hungarian, English, and French.

- Minister of Transport, Communication and Energy: Peter Honig (replacing Pal Szabo)

Born in Hungary in 1952, Peter Honig holds degrees in production organization and ergonomics from the Technical University of Budapest. Honig worked at Arthur Anderson, Digital Equipment Hungary, and ABB Hungary. Honig was responsible for energy issues in the 1998 Oran government in the Ministry of Economic Affairs, and played a role in Hungary's gas and electricity liberalization at that time. He was involved in the privatization of Hungary's state-owned

steel company Dunafer, as well as other privatizations, including Malev, and served on the company's Board of Directors. He most recently served as Deputy Director of electricity and power generation company Budapesti Erőmű Zrt, which is majority owned by Electricite de France (EdF). He is fluent in Hungarian, English and Italian, and is an avid sailor, and has been president of the Hungarian Sailing Association.

- Minister of Social Affairs and Labor: Dr. Laszlo Herczog (replacing Erika Szucs)

Dr. Herczog currently serves as the State Secretary Responsible for Social Relations at the Ministry of Social Affairs and Labor. In this capacity, he is responsible for the reconciliation of interests and maintaining the social dialogue between the government and social and labor groups impacted by government policies and programs. A career civil servant who served in both Socialist and Fidesz administrations, Herczog previously served in senior positions in the Ministry of Economy before coming to the Ministry of Labor. Dr. Herczog began his career at the Finance Ministry. He speaks Hungarian and some English.

- Minister for Local Government and Regional Development: Zoltan Varga (replacing Istvan Gyenesei)

Zoltan Varga has been a Socialist Party Member of Parliament since 2006. Prior to that he served in a number of positions in local government in Békés county, including County Assemblyman Deputy President of the Country MSZP Chapter, and MSZP faction leader.

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- Minister without Portfolio Responsible for Secret Services: Adam Ficsor (replacing György Szilvassy)

Just 29 years old, Adam Ficsor served as former Prime Minister Gyurcsány's Chief of Staff since 2008. Before that, Ficsor served as State Secretary in the Ministry of Agriculture and Rural Development between 2006 and 2008, as well as in other positions in the ministry. The Embassy maintains good contacts with Ficsor, recently identifying him as a possible candidate for the International Visitor's Program.

- Minister of the Prime Minister's Office : Csaba Molnar (replacing Peter Kiss)

Born in 1975, Csaba Molnar is a lawyer and former university instructor. He joined the Socialist party while a university student, and he has been a member of Parliament since 2006. Active in Socialist politics in western Hungary, he eventually was elected as the party's youngest County President. Appointed State Secretary in the Ministry of National Development and Economy by former Prime Minister Gyurcsány in May, 2008, Molnar became Minister of Transportation, Communications and Energy in December, 2008.

12. The nominee for Minister of Economy (to replace newly elected PM Bajnai), Tamas Vahl, has already stepped back and will not accept the nomination. Tamas Vahl currently serves as Chairman of the German-Hungarian Chamber of Commerce, and since December 2008, as CEO of 3-D navigation software company Nav N Go. However, Transparency International raised concerns over Vahl's nomination based on previous issues surrounding "cartel charges" when he served in a senior position at SAP. This issue, with potentially protracted committee hearings, played a role in Vahl's decision to decline the nomination.

13. In addition to the above new ministers the following ministers remain in place:

- Minister of Defense: Imre Szekeres

- Minister of Education and Culture: Istvan Hiller
- Minister of Environment and Water Management: Imre Szabo
- Minister of Health: Tamas Szekely
- Minister of Justice and Law Enforcement: Tibor Draskovics
- Minister of Agriculture and rural Development; Jozsef Graf

14. The following minister position has been eliminated:

- Minister without Portfolio: Karoly Molnar

15. Comment. The nominees, including those remaining in their posts, are currently undergoing hearings with various parliamentary committees. To date, only Adam Ficsor's nomination failed to receive support, as the National Security Committee deadlocked at 5-5 with one abstention. However, as the committee vote is non-binding, PM Bajnai indicated that he stands by Ficsor and will present the nomination letter to President Solyom for signature. With the President's signature, current plans call for the Ministers to be sworn in on Monday, April 27.
Levine